

TOWNSHIPS OF PITTSFORD
AND JEFFERSON FIRE DEPARTMENT

AUDIT REPORT

MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Townships of Pittsford and Jefferson Fire Dept	County* HILLSDALE	Type* OTHER	MuniCode* 30-7-510
Opinion Date-Use Calendar* 10/27/2008	Audit Submitted-Use Calendar* 11/12/2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

- ☒ ☐ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ ☐ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ ☐ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ ☐ 5. Did the local unit adopt a budget for all required funds?
- ☒ ☐ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ ☐ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ ☐ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ ☐ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ ☐ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ ☐ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☐ ☐ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ ☐ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? **NA**
- ☒ ☐ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ ☐ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ ☐ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ ☐ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 107,793.00
General Fund Expenditure:	<input type="checkbox"/> \$ 98,213.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 150,014.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* KELLY	Last Name* HODSHIRE	Ten Digit License Number* 1101020992		
CPA Street Address* 479 E CHICAGO ST	City* JONESVILLE	State* MI	Zip Code* 49250	Telephone* +1 (517) 849-2410
CPA Firm Name* BAILEY, HODSHIRE & CO. P.C.	Unit's Street Address* 4482 S PITTSFORD RD	Unit's City* PITTSFORD	Unit's Zip* 49271	

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	2 - 3
BASIC FINANCIAL STATEMENTS	
<u>Government-Wide Financial Statements</u>	
Statement of Net Assets	4
Statement of Activities.....	5
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds	6
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of governmental Activities on the Statement of Net Assets	7
Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds	8
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
NOTES TO THE FINANCIAL STATEMENTS.....	10 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	14

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

INDEPENDENT AUDITOR'S REPORT

Townships of Pittsford and Jefferson Fire Department
Hillsdale County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department as of and for the year ended March 31, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships of Pittsford and Jefferson Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 - 3 and page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company PC

Jonesville, Michigan
October 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents management's discussion and analysis of the Townships of Pittsford and Jefferson Fire Department's (Department) financial performance during the year ended March 31, 2008. Please read it in conjunction with the Department's financial statements, which immediately follow this section.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2008:

- The assets of the Department exceeded its liabilities at March 31, 2008, by \$374,647 (net assets). Of this amount, \$150,014 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets decreased \$15,084.
- As of March 31, 2008, the Department's governmental fund reported an ending fund balance of \$150,014, an increase of \$9,580. The entire amount is available for spending at the Department's discretion (unreserved fund balance).

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide financial statements.

The Fire Department as a Whole

Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the Department's governmental activities.

<u>TABLE 1 - NET ASSETS</u>	<u>2007</u>	<u>2008</u>
Assets		
Current Assets	\$ 143,316	\$ 152,155
Capital Assets (net of depreciation)	<u>249,297</u>	<u>224,633</u>
Total Assets	<u>\$ 392,613</u>	<u>\$ 376,788</u>
Liabilities		
Current Liabilities	\$ 2,882	\$ 2,141
Noncurrent Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 2,882</u>	<u>\$ 2,141</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	\$ 249,297	\$ 224,633
Unrestricted	<u>140,434</u>	<u>150,014</u>
Total Net Assets	<u>\$ 389,731</u>	<u>\$ 374,647</u>
Total Liabilities and Net Assets	<u>\$ 392,613</u>	<u>\$ 376,788</u>

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>TABLE 2 - CHANGES IN NET ASSETS</u>	<u>2007</u>	<u>2008</u>
Program Revenue		
Charges for Services	\$ 27,350	\$ 21,405
Capital Grants and Contributions	0	0
General Revenue		
Government Contributions	71,500	79,000
Interest Income	4,063	4,395
Other	<u>1,491</u>	<u>2,993</u>
Total Revenue	<u>\$ 104,404</u>	<u>\$107,793</u>
Expenses		
Public Safety	<u>\$ 104,032</u>	<u>\$122,877</u>
Total Expenses	<u>\$ 104,032</u>	<u>\$122,877</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 372</u>	<u>\$ (15,084)</u>

Governmental Activities

The Department's governmental activities consist of providing fire protection service to Jefferson Township, Pittsford Township, and parts of Adams Township.

The Fire Department's Funds

Our analysis of the Department's major funds begins on page 6 following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, the only fund maintained by the Department at this time. The most significant expenditure items for the General Fund are equipment maintenance, wages, and insurance.

General Fund Budgetary Highlights

Over the course of the year, the Department amended the budget to take into account events during the year. Costs for operating supplies, equipment maintenance and payroll are highly dependent on the number of fire runs for the year.

General Asset and Debt Administration

The Department does not have title to any real property. The Townships of Pittsford and Jefferson have title, jointly, to the land and building. The Department has title to the vehicles and equipment used in the Department's operations.

Factors Bearing on the Fire Department's Future

The Department is purchasing a new fire truck. Delivery should be in the last part of 2008 or the first part of 2009. Fire fighters training will be an ongoing project to have well trained fire fighters. We will be doing more research on small claims court procedures in hopes of improving collections of fire bills. We will also be looking into blanket coverage for insurance along with Jefferson Township in an effort to save insurance costs.

Contacting the Fire Department's Management

This report is designed to give an overview of the financial conditions of the Townships of Pittsford and Jefferson Fire Department. If you have questions about this report or need further information, please contact the Jefferson Township Clerk or Treasurer at (517) 523-3165.

BASIC FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF NET ASSETS
MARCH 31, 2008

	Governmental <u>Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 112,866
Accounts Receivable	30,845
Prepaid Expense	8,444
Capital Assets - Net	<u>224,633</u>
Total Assets	<u>\$ 376,788</u>
 LIABILITIES	
Accounts Payable	\$ <u>2,141</u>
Total Liabilities	<u>\$ 2,141</u>
 NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	\$ 224,633
Unrestricted	<u>150,014</u>
Total Net Assets	<u>\$ 374,647</u>
Total Liabilities and Net Assets	<u>\$ 376,788</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs Governmental Activities:	Program Revenues			Net (Expense) Revenue
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Public Safety	Expenses			
	\$ 122,877	\$ 21,405	\$ 0	\$ (22,472)
Total Governmental Activities	\$ 122,877	\$ 21,405	\$ 0	\$ (22,472)
General Revenues:				
	Interest Income			\$ 4,395
	Miscellaneous			<u>2,993</u>
	Total General Revenues			\$ 7,388
	Change in Net Assets			\$ (15,084)
	Net Assets - Beginning			<u>389,731</u>
	Net Assets - Ending			<u>\$ 374,647</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 112,866	\$112,866
Accounts Receivable	30,845	30,845
Prepaid Expense	<u>8,444</u>	<u>8,444</u>
Total Assets	<u>\$ 152,155</u>	<u>\$152,155</u>
 LIABILITIES		
Accounts Payable	<u>\$ 2,141</u>	<u>\$ 2,141</u>
Total Liabilities	<u>\$ 2,141</u>	<u>\$ 2,141</u>
 FUND BALANCE		
Unreserved	<u>\$ 150,014</u>	<u>\$ 150,014</u>
Total Fund Balance	<u>\$ 150,014</u>	<u>\$ 150,014</u>
Total Liabilities and Fund Balance	<u>\$ 152,155</u>	<u>\$ 152,155</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balance - total governmental funds	\$ 150,014
---	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds

Add: Capital Assets	526,774
Deduct: Accumulated Depreciation	<u>(302,141)</u>

Net assets of governmental activities	<u>\$ 374,647</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	General Fund	Total Governmental Funds
REVENUE		
Government Contributions	\$ 79,000	\$ 79,000
Charges for Services - Fire Runs	21,405	21,405
Interest Income	4,395	4,395
Other Income	<u>2,993</u>	<u>2,993</u>
Total Revenue	<u>\$ 107,793</u>	<u>\$ 107,793</u>
EXPENDITURES		
Salaries and Wages	\$ 27,365	\$ 27,365
Payroll Taxes	2,093	2,093
Office Supplies	2,125	2,125
Operating Supplies	9,543	9,543
Professional Fees	1,075	1,075
Utilities	5,442	5,442
Training and Education	5,944	5,944
Insurance	18,019	18,019
Building Maintenance	5,704	5,704
Equipment Maintenance	20,863	20,863
Miscellaneous Expense	40	40
Capital Outlay	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 98,213</u>	<u>\$ 98,213</u>
Excess of Revenue Over (Under) Expenditures	\$ 9,580	\$ 9,580
FUND BALANCE - April 1, 2007	<u>140,434</u>	<u>140,434</u>
FUND BALANCE - March 31, 2008	<u>\$ 150,014</u>	<u>\$ 150,014</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds	\$ 9,580
---	----------

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Add: Capital Outlay	0
Deduct: Depreciation Expense	<u>(24,664)</u>

Change in net assets of governmental activities	<u>\$ (15,084)</u>
---	--------------------

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Townships of Pittsford and Jefferson Fire Department (the "Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of the significant accounting policies used by the Department:

Financial Reporting Entity

The Townships of Pittsford and Jefferson Fire Department is a joint venture between Jefferson Township and Pittsford Township in Hillsdale County, Michigan. It is governed by a five-member board comprised of two members from each Township and one member chosen by the Board.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Department as a whole. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Department's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Department, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Department.

Fund Financial Statements - Fund financial statements report detailed information about the Department. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The Department records all activities within the General Fund - no other funds are required.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. Under the modified accrual basis, government contributions and grants are considered to be both measurable and available at fiscal year-end.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

The Department uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Department functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Department reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Department has established a capitalization threshold of \$5,000. The Department does not possess any infrastructure. As of March 31, 2008, the land and buildings are titled jointly to Jefferson Township and Pittsford Township. The Department has title to the vehicles and equipment used in the Department's operations.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Fire Equipment	5-20 years
Building	50 years
Fire Vehicles	10-20 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Fire Board at the line-item level. Any budgetary modifications may only be made by resolution of the Fire Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

The Department follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to March 31, the Department submits a proposed operating budget for the upcoming fiscal year to Jefferson Township and Pittsford Township Boards for approval.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) The Fire Board is authorized to transfer budgeted amounts between line items; however, the Jefferson Townships Board and the Pittsford Township Board must approve any revisions that change the total expenditures of the Department.
- 5) During the year the budget is monitored, and amendments to the budget are made when deemed necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Building Maintenance	\$ 5,695	\$ 5,704	\$ 9
Equipment Maintenance	17,645	20,863	3,218

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Department to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2008, the Department's deposits are in accordance with statutory authority.

The Department's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department minimizes credit risk by limiting investments to the types of securities allowed by State law. The Department has no policy that would further limits its investment choices.

Concentration of Credit Risk - The Department places no limit on the amount the Department may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Department does not have a formal policy for custodial credit risk. At March 31, 2008, the carrying amount of the Department's bank

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

deposits was \$112,866 and the bank's balance was \$112,942. Of the total bank balance, \$100,000 was covered by federal depository insurance and \$12,942 was uninsured. The Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Department has no policy that specifically identifies interest rate risk.

Foreign Currency Risk - The Department is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2008, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated				
Land	\$ 500	\$ 0	\$ 0	\$ 500
Capital assets being depreciated				
Buildings	\$ 13,950	\$ 0	\$ 0	\$ 13,950
Equipment	235,244	0	0	235,244
Vehicles	277,080	0	0	277,080
Subtotal	\$ 526,274	\$ 0	\$ 0	\$ 526,274
Less: accumulated depreciation for				
Buildings	\$ (11,788)	\$ (199)	\$ 0	\$ (11,987)
Equipment	(75,445)	(15,506)	0	(90,951)
Vehicles	(190,244)	(8,959)	0	(199,203)
Total capital assets being depreciated, net	<u>\$(277,477)</u>	<u>\$ (24,664)</u>	<u>\$ 0</u>	<u>\$(302,141)</u>
Total capital assets, net	<u>\$ 249,297</u>	<u>\$ (24,664)</u>	<u>\$ 0</u>	<u>\$ 224,633</u>

Total depreciation expense for the year was \$24,664

NOTE 5 - UNEMPLOYMENT TAXES

The Department is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 6 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Department has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, physical damage, workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget amounts</u>			Actual Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUE				
Government Contributions	\$ 89,500	\$ 89,500	\$ 79,000	\$ (10,500)
Charges for Services - Fire Runs	12,500	12,500	21,405	8,905
Interest Income	0	0	4,395	4,395
Other Income	<u>0</u>	<u>0</u>	<u>2,993</u>	<u>2,993</u>
Total Revenue	<u>\$ 102,000</u>	<u>\$ 102,000</u>	<u>\$ 107,793</u>	<u>\$ 5,793</u>
EXPENDITURES				
Salaries and Wages	\$ 30,000	\$ 28,087	\$ 27,365	\$ (722)
Payroll Taxes	2,300	2,300	2,093	(207)
Office Supplies	1,500	2,247	2,125	(122)
Operating Supplies	5,100	13,151	9,543	(3,608)
Professional Fees	1,700	1,230	1,075	(155)
Utilities	7,000	6,305	5,442	(863)
Training and Education	6,000	6,000	5,944	(56)
Insurance	18,000	18,609	18,019	(590)
Building Maintenance	5,000	5,695	5,704	9
Equipment Maintenance	12,000	17,645	20,863	3,218
Miscellaneous Expense	100	100	40	(60)
Capital Outlay	10,300	0	0	0
Contingency	<u>3,000</u>	<u>631</u>	<u>0</u>	<u>(631)</u>
Total Expenditures	<u>\$ 102,000</u>	<u>\$ 102,000</u>	<u>\$ 98,213</u>	<u>\$ (3,787)</u>
Excess of Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 9,580	\$ 9,580
FUND BALANCE - April 1, 2007	<u>140,434</u>	<u>140,434</u>	<u>140,434</u>	<u>0</u>
FUND BALANCE - March 31, 2008	<u>\$ 140,434</u>	<u>\$ 140,434</u>	<u>\$ 150,014</u>	<u>\$ 9,580</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

October 27, 2008

Townships of Pittsford and Jefferson Fire Department
Townships of Pittsford and Jefferson, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses..

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Financial Statement Preparation

The Department does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally. We recommend that you continue to carefully review the draft financial statements and notes prepared by your external auditors prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we do consider the significant deficiency described above to be a material weakness.

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses.

Annual Budget

There were a few accounts which had expenditures in excess of the budget for the year which was the result of an auditor journal entry for accounts payable. We recommend that the budget be carefully and amended to prevent over-expenditure, including instances where expenditures are incurred prior to year-end but paid for afterwards.

This communication is intended solely for the information and use of the Fire Board and others within the Department, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire + Company PC

Jonesville, Michigan

October 27, 2008